UNITED STATES OF AMERICA

DEPARTMENT OF ENERGY

OFFICE OF FOSSIL ENERGY

PROGAS U.S.A., INC.	)	FE DOCKET NO. 95-33-NG

ORDER GRANTING LONG-TERM AUTHORIZATION
TO IMPORT NATURAL GAS FROM CANADA

DOE/FE ORDER NO. 1065

JUNE 29, 1995

I. DESCRIPTION OF REQUEST

On May 10, 1995, ProGas U.S.A., Inc. (ProGas U.S.A.) filed an application with the Office of Fossil Energy of the Department of Energy (DOE), under section 3 of the Natural Gas Act (NGA)[1/] and DOE Delegation Order Nos. 0204-111 and 0204-127, for authorization to import up to 20,000 Mcf per day of natural gas from Canada. ProGas U.S.A., a corporation organized under the laws of the State of Delaware, with its principal place of business in Calgary, Alberta, is owned by ProGas Limited, a private Canadian corporation. The gas would be imported under a contract between ProGas Limited and ProGas U.S.A., dated July 1, 1990, as amended, for resale to Tenaska Gas Co. (Tenaska). Tenaska is a Nebraska partnership serving customers in the Midwest. The proposed authorization would be effective as of the date of issuance of this order, and would extend until October 31, 2001, the expiration date of the gas supply contract between ProGas U.S.A. and Tenaska dated August 1, 1994.[2/]

The gas would be imported at the border of the United States and Canada near Port of Morgan, Montana\Monchy, Saskatchewan, through the pipeline facilities of Northern Border Pipeline Company (Northern Border). ProGas Limited has arranged with NOVA Corporation of Alberta and Foothills Pipelines (Saskatchewan)

1/ 15 U.S.C. § 717b.

2/ Since August 1, 1994, ProGas U.S.A. has been importing this gas under its two-year blanket authorizations granted by DOE/FE Opinion and Order No. 639, issued June 25, 1992 (1 FE ¶ 70,602), followed by DOE/FE Order No. 1041, issued April 17, 1995 (not yet published).

Ltd. to transport the gas through Canada to Monchy. From Monchy, Northern Border would transport the gas to its interconnection with the facilities of Natural Gas Pipeline Company of America (Natural) near Harper, Iowa, and/or to Northern Border's interconnections with Northern Natural Gas Company (NNG) near Ventura, Iowa, and Grundy Center, Iowa. At these pipeline interconnection points, ProGas U.S.A. would sell the gas to Tenaska.

Tenaska intends to use the gas it purchases from ProGas U.S.A. primarily for serving markets on the Natural and NNG pipeline systems. From Harper, Iowa, Tenaska would transport the gas on Natural to its delivery point at Chicago, Illinois. From Ventura and Grundy Center, Iowa, Tenaska would transport the gas on NNG to various delivery points on NNG.

The import price paid to ProGas Limited by ProGas U.S.A. will be a "net back" price determined by Tenaska's price, less the cost of domestic transportation and ProGas U.S.A.'s cost of service. The contract between ProGas U.S.A. and Tenaska provides that Tenaska would pay ProGas U.S.A. a price for the gas that consists of a fixed monthly demand charge and a market-responsive monthly commodity charge. The monthly demand charge is fixed for the term of the contract and would be calculated as the product of the number of days in the month multiplied by (U.S.) $10,000. The monthly commodity charge for each MMBtu of gas delivered by ProGas U.S.A. to Tenaska is referred to as the Chicago City Gate Price. The Chicago City Gate Price is calculated by taking the arithmetic average of prices reported for gas delivered by Natural's pipeline system to Chicago, Illinois, as published each month in Gas Daily and for gas delivered by Natural to the State of Illinois as published in Natural Gas Intelligence. Then, that average is adjusted downward by subtracting the sum of the monthly demand charge paid by Tenaska and other components of the cost to Tenaska of transporting the gas from Harper, Iowa, to Chicago. In June of any contract year, either party may request renegotiation of the indices used to calculate the monthly commodity charge, with binding arbitration if the parties do not reach agreement.

The contract also provides for a minimum monthly and annual purchase obligation. Tenaska must purchase at least 40 percent of the daily contract quantity times the number of days in the month, and at least 80 percent of the annualized daily contract quantity. Tenaska may be required to pay a deficiency charge if it does not take the prescribed minimum quantities.

II. FINDING

The application filed by ProGas U.S.A. has been evaluated to determine if the proposed import arrangement meets the public interest requirements of section 3 of the NGA, as amended by section 201 of the Energy Policy Act of 1992 (P.L. 102-486). Under section 3(c), the importation of natural gas from a nation with which there is in effect a free trade agreement requiring national treatment for trade in natural gas is deemed to be consistent with the public interest and must be granted without modification or delay. The authorization sought by Progas U.S.A. to import natural gas from Canada, a nation with which a free trade agreement is in effect, meets the section 3(c) criterion and, therefore, is consistent with the public interest.

ORDER

Pursuant to section 3 of the Natural Gas Act, it is ordered that:

A. ProGas U.S.A., Inc. (ProGas U.S.A.) is authorized to import, at Port of Morgan, Montana/Monchy, Saskatchewan, up to 20,000 Mcf per day of Canadian natural gas beginning on the date of this order, and extending through October 31, 2001. This gas shall be imported consistent with the terms and conditions of ProGas U.S.A.'s gas sales agreements with ProGas Limited and Tenaska Gas Co., dated, respectively, July 1, 1990, as amended, and August 1, 1994. Both agreements are on file in this docket.

B. Within two weeks after deliveries begin, ProGas U.S.A. shall provide written notification to the Office of Fuels Programs (OFP), Fossil Energy, Room 3F-056, FE-50, Forrestal Building, 1000 Independence Avenue, S.W., Washington, D.C. 20585, of the date that the first import delivery of natural gas authorized in Ordering Paragraph A above occurred.

C. With respect to the natural gas imports authorized by this Order, ProGas U.S.A. shall file with OFP, within 30 days following each calendar quarter, quarterly reports indicating whether imports of natural gas have been made. If no imports have been made, a report of "no activity" for that calendar quarter must be filed. If imports occur, ProGas U.S.A. must report total monthly volumes in Mcf and the average purchase price of gas per MMBtu delivered at Monchy, Saskatchewan, and paid to ProGas Limited. The monthly price information shall itemize separately the demand and commodity charges, if applicable.

D. The first quarterly report required by Ordering Paragraph C of this Order is due not later than July 30, 1995, and should cover the period from the date of this order until the end of the current calendar quarter, June 30, 1995.

Issued in Washington, D.C., on June 29, 1995.

Anthony J. Como
Director
Office of Coal & Electricity
Office of Fuels Programs
Office of Fossil Energy